

SPECIAL MERGES INTO THE REGULAR SESSION

(Continued from First Page.)

consideration of the congress for these questions.

[The president commends the work of the international monetary conference and advises its continuance.]

A majority of our people desire that steps be taken in the interests of American shipping, so that we may once more resume our former position in the ocean carrying trade. But hitherto the differences of opinion as to the proper method of reaching this end have been so wide that it has proved impossible to secure the adoption of any particular scheme. Having in view these facts, I recommend that the congress direct the secretary of the navy, the postmaster general and the secretary of commerce and labor, associated with such a representation from the senate and house of representatives as the congress in its wisdom may designate, to serve as a commission for the purpose of investigating and reporting to the congress at its next session what legislation is desirable or necessary for the development of the American merchant marine and American commerce and incidentally of a national ocean mail service of adequate auxiliary naval cruisers and naval reserves. While such a measure is desirable in any event, it is especially desirable at this time, in view of the fact that our present governmental contract for ocean mail with the American line will expire in 1905. The establishment of new lines of cargo ships to South America, to Asia and elsewhere would be much in the interest of our commercial expansion.

Immigration.

We cannot have too much immigration of the right kind, and we should have none at all of the wrong kind. The need is to devise some system by which undesirable immigrants shall be kept out entirely, while desirable immigrants are properly distributed throughout the country. At present some districts which need immigrants have none, and in others, where the population is already congested, immigrants come in such numbers as to depress the conditions of life for those already there. During the last two years the immigration service at New York has been greatly improved and the corruption and inefficiency which formerly obtained there have been eradicated. This service has just been investigated by a committee of New York citizens of high standing, Messrs. Arthur v. Briesen, Lee K. Frankel, Eugene A. Philbin, Thomas W. Hynes and Ralph Trautman. Their report deals with the whole situation at length and concludes with certain recommendations for administrative and legislative action. It is now receiving the attention of the secretary of commerce and labor.

Naturalization Frauds.

The special investigation of the subject of naturalization under the direction of the attorney general and the consequent prosecutions reveal a condition of affairs calling for the immediate attention of the congress. Forgeries and perjuries of shameless and flagrant character have been perpetrated not only in the dense centers of population, but throughout the country, and it is established beyond doubt that very many so-called citizens of the United States have no title whatever to that right and are asserting and enjoying the benefits of the same through the grossest frauds. It is never to be forgotten that citizenship is, to quote the words recently used by the supreme court of the United States, an "inestimable heritage," whether it proceeds from birth within the country or is obtained by naturalization, and we poison the sources of our national character and strength at the fountain if the privilege is claimed and exercised without right and by means of fraud and corruption.

The federal grand jury lately in session in New York city dealt with this subject and made a presentment which states the situation briefly and forcibly and contains important suggestions for the consideration of the congress. This presentment is included as an appendix to the report of the attorney general.

Public Land and Postal Frauds.

In my last annual message, in connection with the subject of the due regulation of combinations of capital which are or may become injurious to the public, I recommended a special appropriation for the better enforcement of the antitrust law as it now stands, to be expended under the direction of the attorney general. Accordingly (by the legislative, executive and judicial appropriation act of Feb. 25, 1903, 32 Stat. 854, 904), the congress appropriated for the purpose of enforcing the various federal trust and interstate commerce laws the sum of \$500,000, to be expended under the direction of the attorney general in the employment of special counsel and agents in the department of justice to conduct proceedings and prosecutions under said laws in the courts of the United States. I now recommend, as a matter of the utmost importance and urgency, the extension of the purposes of this appropriation, so that it may be available, under the direction of the attorney general and until used, for the due enforcement of the laws of the United States in general and especially of the civil and criminal laws relating to public lands and the laws relating to postal crimes and offenses and the subject of naturalization. Recent investigations have shown a deplorable state of affairs in these three matters of vital

concern. By various frauds and by forgeries and perjuries thousands of acres of the public domain, embracing lands of different character and extending through various sections of the country, have been dishonestly acquired. It is hardly necessary to urge the importance of recovering these dishonest acquisitions, stolen from the people, and of promptly and duly punishing the offenders.

Through frauds, forgeries and perjuries and by shameless bribery and laws relating to the proper conduct of the public service in general and to the administration of the postoffice department have been notoriously violated, and many indictments have been found, and the consequent prosecutions are in course of hearing or on the eve thereof. For the reasons thus indicated and so that the government may be prepared to enforce promptly and with the greatest effect the due penalties for such violations of law, and to this end may be furnished with sufficient instrumentalities and competent legal assistance for the investigation and trials which will be necessary at many different points of the country, I urge upon the congress the necessity of making the said appropriation available for immediate use for all such purposes, to be expended under the direction of the attorney general.

Need For Treaties Making Bribery Extraditable.

Steps have been taken by the state department looking to the making of bribery an extraditable offense with foreign powers. The need of more effective treaties covering this crime is manifest. The exposures and prosecutions of official corruption in St. Louis, Mo., and other cities and states have resulted in a number of fugitives in foreign lands. Bribery has not been included in extradition treaties heretofore, as the necessity for it has not arisen. While there may have been as much official corruption in former years, there has been more developed and brought to light in the immediate past than in the preceding century of our country's history. It should be the policy of the United States to leave no place on earth where a corrupt man fleeing from this country can rest in peace.

Alaskan Boundary.

After unavailing attempts to reach an understanding on the Alaskan boundary question through a joint high commission, followed by prolonged negotiations, conducted in an amicable spirit, a convention between the United States and Great Britain was signed Jan. 24, 1903, providing for an examination of the subject by a mixed tribunal of six members, three on a side, with a view to its final disposition. Ratifications were exchanged on March 23 last, whereupon the two governments appointed their respective members. Those on behalf of the United States were Elihu Root, secretary of war; Henry Cabot Lodge, a senator of the United States, and George Turner, an ex-senator of the United States, while Great Britain named the Right Hon. Lord Alverstone, lord chief justice of England; Sir Louis Amable Jette, K. C. M. G., retired judge of the supreme court of Quebec, and A. B. Aylesworth, K. C., of Toronto. This tribunal met in London on Sept. 3 under the presidency of Lord Alverstone. On the 30th of October a majority of the tribunal reached and signed an agreement on all the questions submitted by the terms of the convention. By this award the right of the United States to the control of a continuous strip or border of the mainland shore, skirting the tidewater inlets and sinuosities of the coast, is confirmed; the entrance to Portland canal, concerning which legitimate doubt appeared, is defined as passing by Tongass inlet and to the northward of Wales and Pease islands; a line is drawn from the head of Portland canal to the fifty-sixth degree of north latitude, and the interior border line of the strip is fixed by lines connecting certain mountains and valleys between Portland canal and Mount St. Elias and running along the crest of the divide separating the coast slope from the inland watershed at the only part of the frontier where the drainage ridge approaches the coast within the distance of ten marine leagues, stipulated by the treaty as the extreme width of the strip around the heads of Lynn canal and its branches.

While the line so traced follows the provisional demarcation of 1878 at the crossing of the Stikine river and that of 1890 at the summits of the White and Chilkoot passes, it runs much farther inland from the Kluhni than the temporary line of the later modus vivendi and leaves the entire mining district of the Porcupine river and Glacier creek within the jurisdiction of the United States.

[The president here recapitulates the details of the imbroglio between European powers and Venezuela and the reference of certain points of the controversy to The Hague tribunal through the influence of the United States. This he calls a victory for American diplomacy and a triumph for international arbitration. He advocates an extension of international law to exempt all private property at sea from capture of destruction by forces of belligerent powers.]

International Arbitration.

Last year the interparliamentary union for international arbitration met at Vienna, 900 members of the differ-

ent legislatures of civilized countries attending. It was provided that the next meeting should be in 1904 at St. Louis, subject to our congress extending an invitation. Like The Hague tribunal, this interparliamentary union is one of the forces tending toward peace among the nations of the earth, and it is entitled to our support. I trust the invitation can be extended.

Early in July, having received intelligence, which happily turned out to be erroneous, of the assassination of our vice consul at Beirut, I dispatched a small squadron to that port for such service as might be found necessary on arrival. Although the attempt on the life of our vice consul had not been successful, yet the outrage was symptomatic of a state of excitement and disorder which demanded immediate attention. The arrival of the vessels had the happiest result. A feeling of security at once took the place of the former alarm and disquiet. Our officers were cordially welcomed by the consular body and the leading merchants, and ordinary business resumed its activity. The government of the sultan gave a considerable hearing to the representations of our minister; the official who was regarded as responsible for the disturbed condition of affairs was removed. Our relations with the Turkish government remain friendly. Our claims founded on inequitable treatment of some of our schools and missions appear to be in process of amicable adjustment.

Relations With China.

The signing of a new commercial treaty with China, which took place at Shanghai on the 8th of October, is a cause for satisfaction. This act, the result of long discussion and negotiation, places our commercial relations with the great oriental empire on a more satisfactory footing than they have ever heretofore enjoyed. It provides not only for the ordinary rights and privileges of diplomatic and consular officers, but also for an important extension of our commerce by increased facility of access to Chinese ports and for the relief of trade by the removal of some of the obstacles which have embarrassed it in the past.

I trust that the congress will continue to favor in all proper ways the Louisiana Purchase exposition. This exposition commemorates the Louisiana purchase, which was the first great step in the expansion which made us a continental nation. The expedition of Lewis and Clark across the continent followed thereon and marked the beginning of the process of exploration and colonization which thrust our national boundaries to the Pacific.

The acquisition of the Oregon country, including the present states of Oregon and Washington, was a fact of immense importance in our history, first giving us our place on the Pacific seaboard and making ready the way for our ascendancy in the commerce of the greatest of the oceans. The centennial of our establishment upon the western coast by the expedition of Lewis and Clark is to be celebrated at Portland, Ore., by an exposition in the summer of 1905, and this event should receive recognition and support from the national government.

Development of Alaska.

I call your special attention to the territory of Alaska. The country is developing rapidly, and it has an assured future. The mineral wealth is great and has as yet hardly been tapped. The fisheries, if wisely handled and kept under national control, will be of the utmost importance to the people. The forests, if properly guarded, will form another great source of wealth. Portions of Alaska are fitted for farming and stock raising, although the methods must be adapted to the peculiar conditions of the country. Proper land laws should be enacted and the survey of the public lands immediately begun. Coal land laws should be provided whereby the coal land entryman may make his location and secure patent under methods kindred to those now prescribed for homestead and mineral entrymen. Salmon fisheries, exclusively under government control, should be established. The cable should be extended from Sitka westward. Wagon roads and trails should be built and the building of railroads promoted in all legitimate ways. Lighthouses should be built along the coast. Attention should be paid to the needs of the Alaska Indians. Provision should be made for an officer, with deputies, to study their needs, relieve their immediate wants and help them adapt themselves to the new conditions.

I recommend that an appropriation be made for building lighthouses in Hawaii and taking possession of those already built. The territory should be reimbursed for whatever amounts it has already expended for lighthouses. The governor should be empowered to suspend or remove any official appointed by him, without submitting the matter to the legislature.

The Philippines and Porto Rico.

Of our insular possessions, the Philippines and Porto Rico, it is gratifying to say that their steady progress has been such as to make it unnecessary to spend much time in discussing them. Yet the congress should ever keep in mind that a peculiar obligation rests upon us to further in every way the welfare of these communities. The Philippines should be knit closer to us by tariff arrangements. It would, of course, be impossible suddenly to raise the people of the islands to the high pitch of industrial prosperity and of governmental efficiency to which they will in the end by degrees attain, and the caution and moderation shown in developing them have been among the main reasons why this development has hitherto gone on so smoothly. Scrupulous care has been taken in the choice of governmental agents and the entire elimination of partisan politics from the public service. The condition

of the islands is in material things far better than ever before, while their governmental, intellectual and moral advance has kept pace with their material advance. No one people ever benefited another people more than we have benefited the Filipinos by taking possession of the islands.

Preservation of Forests.

The work of reclamation of the arid lands of the west is progressing steadily and satisfactorily under the terms of the law setting aside the proceeds from the disposal of public lands.

The study of the opportunities of reclamation of the vast extent of arid land shows that whether this reclamation is done by individuals, corporations or the state, the sources of water supply must be effectively protected and the reservoirs guarded by the preservation of the forests at the headwaters of the streams. The necessity for perpetuating our forest resources, whether in public or private lands, is recognized now as never before. It is recommended that all matters pertaining to forest reserves, except those involving or pertaining to land titles, be consolidated in the bureau of forestry of the department of agriculture.

The cotton growing states have recently been invaded by a weevil that has done much damage and threatens the entire cotton industry. I suggest to the congress the prompt enactment of such remedial legislation as its judgment may approve.

No other class of our citizens deserves so well of the nation as those to whom the nation owes its very being, the veterans of the civil war. Special attention is asked to the excellent work of the pension bureau in expediting and disposing of pension claims. During the fiscal year ending July 1, 1903, the bureau settled 251,982 claims, an average of 825 claims for each working day of the year. The number of settlements since July 1, 1903, has been in excess of last year's average, approaching 1,000 claims for each working day, and it is believed that the work of the bureau will be current at the close of the present fiscal year.

Extension of Civil Service Rules.

During the year ended June 30 last 25,506 persons were appointed through competitive examinations under the civil service rules. This was 12,672 more than during the preceding year and 40 per cent of those who passed the examinations. This abnormal growth was largely occasioned by the extension of classification to the rural free delivery service and the appointment last year of over 9,000 rural carriers. A revision of the civil service rules took effect on April 15 last, which has greatly improved their operation. The completion of the reform of the civil service is recognized by good citizens everywhere as a matter of the highest public importance, and the success of the merit system largely depends upon the effectiveness of the rules and the machinery provided for their enforcement. A very gratifying spirit of friendly co-operation exists in all the departments of the government in the enforcement and uniform observance of both the letter and spirit of the civil service act.

The Army and Navy.

The effect of the laws providing a general staff for the army and for the more effective use of the national guard has been excellent. Great improvement has been made in the efficiency of our army in recent years. Such schools as those erected at Fort Leavenworth and Fort Riley and the institution of full maneuver work accomplish satisfactory results. The good effect of these maneuvers upon the national guard is marked, and ample appropriation should be made to enable the guardsmen of the several states to share in the benefit. The government should as soon as possible secure suitable permanent camp sites for military maneuvers in the various sections of the country.

I heartily congratulate the congress upon the steady progress in building up the American navy. We cannot afford a let-up in this great work. To stand still means to go back. There should be no cessation in adding to the effective units of the fighting strength of the fleet. Meanwhile the navy department and the officers of the navy are doing well their part by providing constant service at sea under conditions akin to those of actual warfare. Our officers and enlisted men are learning to handle the battleships, cruisers and torpedo boats with high efficiency in fleet and squadron formations, and the standard of marksmanship is being steadily raised. The best work ashore is indispensable, but the highest duty of a naval officer is to exercise command at sea. It is eminently desirable that a naval general staff should be established.

Isthmian Canal.

By the act of June 28, 1902, the congress authorized the president to enter into treaty with Colombia for the building of the canal across the isthmus of Panama, it being provided that in the event of failure to secure such treaty after the lapse of a reasonable time recourse should be had to building a canal through Nicaragua. It has not been necessary to consider this alternative, as I am enabled to lay before the senate a treaty providing for the building of the canal across the isthmus of Panama. This was the route which commended itself to the deliberate judgment of the congress, and we can now acquire by treaty the right to construct the canal over this route. The question now, therefore, is not by which route the isthmian canal shall be built, for that question has been definitely and irrevocably decided. The question is simply whether or not we shall have an isthmian canal.

When the congress directed that we should take the Panama route under treaty with Colombia the essence of the condition, of course, referred not to the government which controlled that route, but to the route itself; to the

territory across which the route lay, not to the name which for the moment the territory bore on the map. The purpose of the law was to authorize the president to make a treaty with the power in actual control of the isthmus of Panama. This purpose has been fulfilled.

For 400 years, ever since shortly after the discovery of this hemisphere, the canal across the isthmus has been planned. For two score years it has been worked at. When made it is to last for the ages. It is to alter the geography of a continent and the trade routes of the world. We have shown by every treaty we have negotiated or attempted to negotiate with the people in control of the isthmus and with foreign nations in reference thereto our consistent good faith in observing our obligations, on the one hand to the peoples of the isthmus and on the other hand to the civilized world, whose commercial rights we are safeguarding and guaranteeing by our action. We have done our duty to others in letter and in spirit, and we have shown the utmost forbearance in exacting our own rights.

Repudiation of Treaty by Colombia.

Last spring a treaty concluded between the representatives of the republic of Colombia and of our government was ratified by the senate. This treaty was entered into at the urgent solicitation of the people of Colombia and after a body of experts appointed by our government especially to go into the matter of the routes across the isthmus had pronounced unanimously in favor of the Panama route. In drawing up this treaty every concession was made to the people and to the government of Colombia. We were more than just in dealing with them. Our generosity was such as to make it a serious question whether we had not gone too far in their interest at the expense of our own, for in our scrupulous desire to pay all possible heed not merely to the real but even to the fancied rights of our weaker neighbor, who already owed so much to our protection and forbearance, we yielded in all possible ways to her desires in drawing up the treaty. Nevertheless the government of Colombia not merely repudiated the treaty, but repudiated it in such manner as to make it evident by the time the Colombian congress adjourned that not the slightest hope remained of ever getting a satisfactory treaty from them.

Revolution in Panama.

The people of Panama had long been discontented with the republic of Colombia, and they had been kept quiet only by the prospect of the conclusion of the canal treaty, which was to them a matter of vital concern. When it became evident that the treaty was hopelessly lost the people of Panama rose literally as one man. Not a shot was fired by a single man on the isthmus in the interest of the Colombian government. Not a life was lost in the accomplishment of the revolution. The Colombian troops stationed on the isthmus, who had long been unpaid, made common cause with the people of Panama, and with astonishing unanimity the new republic was started. The duty of the United States in the premises was clear. In strict accordance with the principles laid down by Secretaries Cass and Seward, the United States gave notice that it would permit the landing of no expeditionary force, the arrival of which would mean chaos and destruction along the line of the railroad and of the proposed canal and an interruption of transit as an inevitable consequence. The de facto government of Panama was recognized.

Under such circumstances the government of the United States would have been guilty of folly and weakness, amounting in their sum to a crime against the nation, had it acted otherwise than it did when the revolution of Nov. 3 last took place in Panama. This great enterprise of building the inter-oceanic canal cannot be held up to gratify the whims or out of respect to the governmental impotence or to the even more sinister and evil political peculiarities of people who, though they dwell afar off, yet, against the wish of the actual dwellers on the isthmus, assert an unreal supremacy over the territory. The possession of a territory fraught with such peculiar capacities as the isthmus in question carries with it obligations to mankind. The course of events has shown that this canal cannot be built by private enterprise or by any other nation than our own; therefore it must be built by the United States.

New Treaty With Panama.

Every effort has been made by the government of the United States to persuade Colombia to follow a course which was essentially not only to our interests and to the interests of the world, but to the interests of Colombia itself. These efforts have failed, and Colombia, by her persistence in repudiating the advances that have been made, has forced us for the sake of our own honor and of the interest and well being, not merely of our own people, but of the people of the isthmus of Panama and the people of the civilized countries of the world, to take decisive steps to bring to an end a condition of affairs which had become intolerable. The new republic of Panama immediately offered to negotiate a treaty with us. This treaty I herewith submit. By its terms our interests are better safeguarded than in the treaty with Colombia, and we can now acquire by treaty the right to construct the canal over this route. The question now, therefore, is not by which route the isthmian canal shall be built, for that question has been definitely and irrevocably decided. The question is simply whether or not we shall have an isthmian canal.

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GENERAL FINANCIAL CONDITION IS SHOWN

Comptroller Ridgley's Report Indicates Increase in Amount of Loanable Funds.

LARGE FALLING OFF IN DEPOSITS

Secretary Root Declares Progress is Being Made in Establishing Civil Power in Philippines.

Washington, Dec. 7.—The annual report of William B. Ridgley, comptroller of the currency, has been prepared for transmission to congress. The report starts with a table giving a detailed statement of the resources and liabilities of all the national banks of the United States, as shown by the five reports of condition made in response to the call of the comptroller.

Comparing this statement with that for Sept. 15, 1902, it is observed that there has been an increase in the number of reporting associations of 441 and a net increase of \$196,501,053.87 in aggregate resources. The increases of the principal items of resources are as follows: Loans and discounts, \$201,319,291; United States bonds, \$65,799,650; specie, \$21,320,047.92; legal tenders, \$14,992,241.

During this period the loanable funds were augmented as follows: Capital stock to the extent of \$48,187,241; surplus and other profits, \$60,700,984.23; government deposits, \$25,671,197.37.

Deposits Fall Off.

Notwithstanding the increase in loanable funds and the volume of loans and discounts, there was a net decrease from Sept. 15, 1902, to Sept. 9, 1903, in individual deposits of \$32,940,394.86. This item reached the maximum during the year, and also during the existence of the national banking system, June 9, 1903, namely, \$3,290,993,369.25. From this high-water mark there was a decline Sept. 9 to \$3,156,335,499.07, or \$44,657,860.18. The capital stock and surplus funds of the associations gradually increased from \$714,616,353 and \$335,763,730.38, respectively, Nov. 25, 1902, to \$753,722,658 and \$370,390,684.26, respectively, Sept. 9, 1903.

The deposits of the United States with the national banks have shown but slight variations during the year, the amount to the credit of the government Nov. 25, 1902, being \$138,464,890.47, and at the close of the year \$140,411,999.25. Bills payable and redemptions were at their minimum Feb. 6, 1903, and at that time amounted to \$22,921,837.75, and were at their maximum, \$47,066,372.06 Sept. 9, 1903.

Respecting national bank circulation the comptroller says:

Circulation Increase.

"The most notable fact in regard to the national bank circulation is the great increase in its volume, which reached \$421,222,489 Sept. 5, 1903, the largest amount which has ever been in circulation. It is 55.43 per cent of the maximum possible circulation, which is higher than this percentage has been since 1886. This increase in the volume of circulation has been largely due to special efforts on the part of the treasury department. It has been feared during the past few months that when the demand came for currency to move the crops this year it might produce more than the usual disturbance in the money market. That this demand has been met with less disturbance and less advance in rates of interest than for several years past is doubtless due largely among other causes, to this increase in bank note circulation. It is further of interest to note that just as the circulation was reaching its maximum and the demand for bonds had advanced their price, the deposit of lawful money to retire circulation, which for some months had been light, suddenly increased, and during the latter half of September applications were received taking up the maximum of \$3,000,000 per month for the months of September, October, November and December.

"This still further emphasizes the one serious defect in our system, that the variation in the volume of our currency, instead of responding to the demand for currency, depends on the market price of bonds. Until our bank note circulation is made automatically to respond to demand for currency for daily cash transactions without reference to the price of bond it will never be entirely satisfactory or efficient.

"In the comptroller's report for 1902 a recommendation was made that the national banks be allowed to issue a portion of their notes unsecured by the deposit of bonds. This seems the most simple and practical, as well as the safest way, to introduce some elasticity into our bank note circulation and the same recommendation is renewed."

REPORT OF WAR DEPARTMENT.

Army Decreased in Size in Year—Illinois Third in Number of Militiamen.

Washington, Dec. 7.—The report of Secretary Root, of the war depart-

ment for the year 1903 shows that Oct. 15, 1903 there were in the service 39,181 men, 55,500 enlisted and 3,681 officers. They were distributed as follows:

United States	41,839
Philippine Islands	15,510
Porto Rico	710
Hawaiian Islands	197
China	151
Alaska	560

Total 59,181. The distribution among the different branches of the service was as follows:

General officers and staff organization	3,848
Cavalry	12,179
Artillery corps	16,470
Infantry	24,554
Recruits and miscellaneous detachments	2,130

Grand total 59,181. There were also in the service 26 officers and 520 enlisted men of the Porto Rico regiment, 99 officers and 4,805 enlisted Philippine scouts, and 2,807 hospital corps men. These figures show a total net decrease during the year of 11,978.

On State Militia.

A large portion of the report is devoted to the state militia, which has passed under the control of the war department since the last report was made. The details of the management of the state troops are explained at some length. The strength of the state militia is 116,542 men all told. Among the states Illinois ranks third in the number of members of the national guard, with 6,669 men. New York is first with 13,869 and Pennsylvania second with 9,068. The recommendation is made that congress provide four places for joint encampments of the state militia and regular army regiments in various parts of the country, these places to be fitted up for permanent use.

A great deal of space is given to the conditions prevailing in the Philippines and the progress that is being made in the direction of establishing civil government. The secretary says: "On the 15th of October, 1903, the American troops in the Philippines consisted of 843 officers and 14,067 enlisted men. Gen. George W. Davis, the division commander until the 25th of July, has reported that the number can be still further reduced, and I agree with that opinion. It is not desirable, however, to make any further reduction until the construction of barracks and quarters in the United States has made further progress. There are also 59 officers and 4,805 enlisted men of the Philippine scouts. There is not at present much occasion for the use of American troops outside of the Moro country, but the moral effect of their presence is undoubtedly salutary. We are following the policy of drawing them together in the comparatively few large posts, which are in course of construction, where their discipline, health, and opportunities for instruction will be improved and the cost of maintenance will be decreased. Such smaller posts as are required will be generally, and are now in considerable extent, occupied by the Philippine scouts. Gen. Davis reports, under the head of 'Public order,' as follows:

Generally Peaceful.

"In all the cities and large towns throughout the Archipelago, and throughout a very large part of the rural districts inhabited by christian Filipinos, life and property have been secured and the inhabitants have pursued their ordinary avocations without annoyance by the lawbreakers. There have been a few cases of serious disturbance of peace in the smaller towns and rural districts which have resulted in some loss of life and property; such disturbances of the peace have had the effect of discouraging industrial efforts, and in many extensive regions little attention to agriculture, the mainstay of the island, has been practicable. The lawless element generally consists of roving bands whose members are descendants of former generations of men engaged in similar avocations—lawbreakers and robbers—by occupation. They sometimes call themselves 'insurrectos' and resent the characterization of 'ladrones,' but the real motive of almost all of these outlaws is loot pure and simple, and to be supported by the peaceful and industrious inhabitants."

A number of conflicts have occurred during the year between these lawless bands and the Philippine scouts, and the Philippine scouts.

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